# REGIONAL TECHNICAL ASSISTANCE CENTER FOR CENTRAL AMERICA, PANAMA, AND THE DOMINICAN REPUBLIC

# PROGRAM DOCUMENT

FOR THE FOURTH FINANCIAL CYCLE
(May 2025–April 2030)

INTERNATIONAL MONETARY FUND

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# ACRONYMS

## Collaborating Organizations

**AECID** Spanish Agency for International Development Cooperation

**CABEI** Central American Bank for Economic Integration

**CCSBSO** Central American Council of Superintendents of Banks, Insurance, and Other Financial Institutions

**CEMLA** Center for Latin American Monetary Studies

**CIAT** Inter-American Center of Tax Administrations

**ECLAC** Economic Commission for Latin America and the Caribbean

**ERGIRA** Regional Integrated Risk Management Strategy on Customs

**EU** European Union

**GIZ** Deutsche Gesellschaft für Internationale Zusammerarbeite (German International Cooperation)

**IDB** Inter-American Development Bank

**IEF** Spain's Institute for Fiscal Studies

**INEGI** National Institute of Statistics and Geography of Mexico

**SECO** Swiss State Global Trade Facilitation Program

**UN** United Nations

**UNCTAD** United Nations Conference on Trade and Development

**UNED** National University of Distance Learning from Madrid

**WB** World Bank

**WCO** World Customs Organization

**WTO - TFA** World Trade Organization - Trade Facilitation Agreement

## Member countries, CAPTAC-DR, and IMF, and other acronyms

**AFW2** Africa Regional Technical Assistance Center West 2

**AML/CFT** Anti-money laundering and combating the financing of terrorism

**ATI** Africa Training Institute

**BCG** Budgetary Central Government

**BSR** Banking Supervision and Regulation

**CAPDR** Central America, Panama, and the Dominican Republic

**CAPTAC-DR** Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic

**CCDI** COVID-19 Crisis Capacity Development Initiative

**CCG** Consolidated Central Government

**CD** Capacity Development

**CDMAP** Capacity Development Management and Administration Program

**CIP** Compliance Improvement Plan

**CMCA** Central American Monetary Council

**COFOG** Classification of the Functions of Government

**COSEFIN** Council of Ministers of Finance of Central America, Panama, and the Dominican Republic

**CPI** Consumer price indices

**CRI** Costa Rica

**CRM** Compliance Risk Management

**CUS** Customs Administration

**DMFAS** External Debt Management and Financial Analysis System

**DOM** Dominican Republic

**EAT** Expenditure Assessment Tool

| | |
|---|---|
| **EBUs** | Extrabudgetary Units |
| **EI** | Electronic Invoicing |
| **EPO** | Expenditure Policy |
| **FAD** | Fiscal Affairs Department |
| **FDI** | Foreign Direct Investment |
| **FRAT** | Fiscal Risks Assessment Tool |
| **FSSF** | Financial Sector Stability Fund (FSSF) |
| **FX** | Foreign exchange |
| **FY** | Fiscal Year |
| **GDP** | Gross Domestic Product |
| **GEOAT** | Gender Equality Organizational Self-Assessment Tool |
| **GFS** | Government Finance Statistics |
| **GFSM 2014** | Government Finance Statistics Manual 2014 |
| **GG** | General Government |
| **GTEFP** | Technical Group of GFS Experts |
| **GTM** | Guatemala |
| **HND** | Honduras |
| **ICD** | Institute for Capacity Development |
| **IFRS** | International Financial Reporting Standards |
| **IMF HQ** | International Monetary Fund Headquarters |
| **IPSAS** | International Public Sector Accounting Standards |
| **ISORA** | International Survey on Revenue Administration |
| **LEG** | Legal Department |
| **LTU** | Large Taxpayer Unit |
| **MCM** | Monetary and Capital Markets Department |
| **MPO** | Monetary Policy and Operations |
| **NA** | National Accounts |
| **NIC** | Nicaragua |
| **NSOs** | National Statistical Offices |
| **OECD-DAC** | Organization for Economic Co-operation and Development -Development Assessment Committee criteria |
| **PAN** | Panama |
| **PIMA** | Public Investment Management Assessment |
| **PFM** | Public Financial Management |
| **PORTCEL** | Foreign Trade and Logistics Technology Portal |
| **PSDS** | Public Sector Debt Statistics |
| **PSDSG 2011** | Public Sector Debt Statistics Manual 2011 |
| **RBM** | Result-Based Management |
| **RBS** | Risk-based supervision |
| **RCDCs** | Regional Capacity Development Centers |
| **RSS** | Real Sector Statistics |
| **RTAC** | Regional Technical Assistance Center |
| **SC** | Steering Committee |
| **SDG** | Sustainable Development Goal |
| **SECMCA** | Secretariat of the Central American Monetary Council |
| **SECOSEFIN** | Executive Secretariats of both the Council of Ministers of Finance |
| **SLV** | El Salvador |
| **SNA** | System of National Accounts |
| **SOEs** | State-owned enterprises |
| **SPL-AT** | Social Protection and Labor Assessment Tool |
| **STA** | Statistics Department |
| **TA** | Technical assistance |
| **TADAT** | Tax Administration Diagnostic Assessment Tool |
| **TAX** | Tax Administration |
| **TSA** | Treasury Single Account |
| **VAT** | Value-added tax |
| **WHD** | Western Hemisphere Department |

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# EXECUTIVE SUMMARY

**CAPTAC-DR is a key provider of capacity development (CD) assistance to Central America, Panama, and the Dominica Republic (CAPDR).** Since its inception in 2009, the Center has provided CD support to member countries in the areas of public finance, monetary policy, financial sector, and macroeconomic statistics. CAPTAC-DR has assisted countries in boosting technical and institutional capacities in these areas, with the aim of supporting macroeconomic and financial stability as well as sustainable and inclusive economic growth. The Center's program is currently approaching the end of its Phase III, and a new five-year phase is set to start in May 2025. This Program Document set outs the strategic objectives and priorities, the work program, and the budget for Phase IV.

**The Center has contributed to various achievements by the CAPDR region during Phase III.** In the area of public finances, the region has increased resource mobilization and made remarkable progress in modernizing public financial management. In monetary policy, non-dollarized economies have continued to strengthen and modernize their frameworks for policy implementation, helping safeguard price stability. The region also has continued to advance in the modernization of financial sector supervision and regulation, supporting financial stability. At the same time, it has made substantial advances in improving national accounts, price, and public finance statistics. The Center has also supported member countries in integrating transformational, cross-cutting issues (e.g., digitalization, climate change, gender, and governance) into economic policies, and progress has been made by the region on this front as well.

**Building on these achievements, in Phase IV the Center will support countries in bringing their economic institutions and policies closer to international best practices and reducing economic vulnerabilities.** CAPTAC-DR will support rebuilding fiscal buffers to create space for productivity-enhancing public investment and reduction of poverty and inequality, while safeguarding fiscal sustainability. It will continue to assist non-dollarized economies in further improving their operational frameworks for monetary policy to reduce gaps with international best practices. The Center will also support the adoption of international best practices in financial sector regulation and supervision. In addition, it will continue to assist countries in adopting international standards on public finance statistics to improve their quality and coverage and support policymaking. At the same time, CAPTAC-DR will help the region to further integrate transformational, cross-cutting issues into economic policies.

**The budget for CAPTAC-DR's Phase IV is projected at US$51.8 million.** This budget is consistent with keeping the size of the Center unchanged and its overall level of CD assistance similar to that of Phase III. The financing of the budget would be shared by development partners, member countries, and the IMF.

**SECTION I**

# BACKGROUND AND ACHIEVEMENTS IN PHASE III

(June 2019 – April 2025)

SECTION I

# A

# WHAT DOES CAPTAC-DR DO?

**1. CAPTAC-DR is part of a network of IMF Regional Capacity Development Centers (RCDCs) that deliver capacity development (CD) from the ground.**[1] The centers work closely with member countries and development partners to address their needs in technical assistance (TA) and training. Close cooperation and sustained follow-up from the ground have proven to be effective in supporting policy design and implementation. The work of RCDCs is organized in phases, each normally consisting of a five-year period.

**2. Based in Guatemala, CAPTAC-DR has been supported by development partners and member countries since its inception in 2009.** Current development partners are the Central American Bank for Economic Integration (CABEI), Canada, Colombia, Spain, Luxembourg, Mexico, Norway, and the European Union (EU). The member countries are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and the Dominican Republic. Development partners and member countries finance the operations of the Center, along with the IMF who provide in-kind contributions. Guatemala, as the host country, also provides in-kind contributions. The Center is in its Phase III, which started in June 2019 and has been extended by one year to April 2025.

**3. CAPTAC-DR delivers CD assistance primarily in seven areas, each managed by a resident expert.** These areas (or workstreams) are tax administration, customs administration, public financial management, financial sector regulation and supervision, central banking and modeling, real sector statistics, and government finance statistics. CD priorities in these areas are identified by the IMF and country authorities. The Central American Monetary Council (CMCA), the Central American Council of Finance Ministers (COSEFIN), and the Central American Council of Superintendents of Banks, Insurance, and Other Financial Institutions (CCSBSO) play an important role in determining CD needs at a regional level. Resident experts (or advisors) develop close working relations with country authorities and regional councils and design annual work programs reflecting identified priorities. Their work in each area is backstopped by IMF HQ experts, who provide technical support and ensure that the quality of CD delivered is up to IMF standards. CAPTAC-DR also deploys non-resident short-term experts to supplement the work of the seven resident advisors. These non-resident experts are hired from a roster of experts maintained by IMF Headquarters. In addition to the assistance provided in the above seven core areas, the Center provides foundational training on various macroeconomic and financial issues through the IMF's Institute for Capacity Development (ICD).

**4. The Center seeks to exploit the advantages offered by technology in the delivery of CD assistance.** While the bulk of CD assistance takes place in person, a portion is delivered virtually or using a hybrid format (combining in-person and virtual delivery). The virtual format can be an efficient means of CD delivery by allowing participation of more country officials while being less costly. It can also be effective, although not a substitute, for in-person delivery. Based on the experience gained since the pandemic, criteria for choosing the best form of delivery have been developed by the

[1] This RCDC network comprises 11 Regional Technical Assistance Centers (RTACs) and 6 Regional Training Centers (RTCs). CAPTAC-DR provides both TA and training.

Center, with the aim of ensuring that delivery of CD assistance is efficient and remains effective regardless of the format used.

**5. CAPTAC-DR's CD management is aligned with that of the IMF's network of RCDCs.** The CD management systems and practices are harmonized with those of the IMF and other RCDCs, including the Result-Based Management (RBM). The RBM framework facilitates periodic progress assessment of CD projects, setting objectives, outcomes, indicators, and time-bound milestones for each project. The framework is integrated into the IMF's Capacity Development Management and Administration Program (CDMAP).[2]

**6. The Center's governance is participative and fosters accountability.** The Steering Committee (SC), which comprises member countries, development partners, and the IMF, provides overall strategic guidance and also contributes to determining priorities while monitoring implementation of the work program on a regular basis. The Chair of the SC is rotated annually. The acting President of the CMCA serves as Chairman of the Committee and the Acting President of the COSEFIN as Vice-Chairman. The Center Director, an IMF staff member, serves as Secretary of the SC, and oversees the implementation of operations of the Center, including preparation of CD work programs.

[2] CDMAP operationalizes the Fund's 2018 CD Strategy, which focuses on (i) improving efficiencies in CD delivery, (ii) enabling a greater share of resources to be targeted directly at meeting members' needs, (iii) integrating training and surveillance activities, and (iv) developing country-centric and regional approaches to assistance.

SECTION I

B

# MAIN ACCOMPLISHMENTS DURING PHASE III

**7. CAPTAC-DR has contributed to various country and regional achievements during Phase III.** These comprise strengthening technical and institutional capacities to support resources mobilization, trade facilitation and modernization of public financial management; improving the operational framework of monetary policy; bolstering financial supervision and regulation; and improving macroeconomic statistics. These achievements have helped countries maintain macroeconomic and financial stability and support sustainable economic growth. The Center also worked with country and regional authorities to integrate transformational, cross-cutting issues, such as climate change, gender equality, digitalization, and governance, into economic policies and public administration work. Below, we present some specific achievements within each of the seven Center core workstreams during Phase III.

## TAX ADMINISTRATION

**8. The region continued to make strides in modernizing tax administration to support increased compliance and revenue mobilization.** Key outcomes include:

- Revenue Mobilization. The region increased its tax revenue collection by 1.2 percentage points of gross domestic product (GDP) on average between 2018 and 2023. Six countries increased their tax revenue ratio as a percentage of GDP, and in five of these countries the increase reached at least one percentage point of GDP in the same period. This outcome was supported by a reduction of tax evasion, with the evasion rate for valued-added tax (VAT) declining by over 5 percentage points in four out seven countries during 2018-23.

- Core functions. Tax administrations made progress in adopting international standards on core tax processes, supporting voluntary tax compliance and deterring tax evasion. These advances contributed to the above outcomes.

  - Tax Register. To improve the tax registration of taxpayers, Costa Rica, Honduras, and the Dominican Republic are using third-party information to register active taxpayers and purge inactive taxpayers. The Compliance Risk Management (CRM) process is used in El Salvador and the Dominican Republic to identify, assess, select, and define strategies to register potential taxpayers that have economic activity.

  - Tax filing and payment, and tax arrears collection. Actions to increase on-time tax filing and tax payment have been adopted by the Dominican Republic, El Salvador, Honduras, and Panama. In Honduras, changes in the legal framework and the tax arrears collection were included in the Ley de *Justicia Tributaria*, currently in Congress. In Guatemala, a shadow VAT return has been developed, and it is currently under pilot testing.

  - Audit. Updated audit guidelines- including international taxation- have been adopted in El Salvador, Costa Rica, and Panama. In addition, updated tax audit guidelines for main economic sectors are being used in Nicaragua, Costa Rica, and El Salvador to increase audit effectiveness. In Panama, updated audit procedures focus on large taxpayers, while best international audit practices are being implemented in Guatemala.

- Compliance Risk Management (CRM). Foundations for the CRM were developed for Costa Rica, El Salvador, Nicaragua, and Honduras, and analytical tools to perform analysis of data for the purpose of detecting and assessing tax risks are being used. A Compliance Improvement Plan (CIP) that is under continuous improvement is being implemented in Costa Rica since 2022. In addition, Costa Rica established a tax risk committee that is fully operational.
- Revenue Management. A Large Taxpayer´s Unit (LTU) was established in Panama in 2023 and is now operational. Work will continue in Fiscal Year (FY) 2025 to bring the functioning of this unit up to international standards.
- Training. The Center consolidated and expanded its flagship training program on revenue administration, the Advanced Program for Leadership and Management of Tax and Customs Administrations. This is a unique training program in the region, aimed at strengthening middle- and high-level managers' soft skills to ensure greater absorption of TA recommendations and support reform and modernization programs. The training program addresses a key need not met by any other institution in the region and was expanded to include customs administration. The multi-donor program comprises separate online and in-person modules and is organized jointly with the IMF Fiscal Affairs Department (FAD) and the Institute of Fiscal Studies of Spain (IEF, for acronym in Spanish).[3] The six editions conducted during Phase III trained 150 middle- and high-level managers from the region. In addition, close to 3,000 officials have participated in other training activities on tax administration during Phase III, covering taxpayer services, auditing of large taxpayers, fundamentals of LTU, and CRM, among other topics.
- Cross-cutting issues. Enhancing governance on tax risk committees and CIP, among others, was promoted in all TA activities to boost revenue mobilization through greater transparency and increased tax compliance. Good governance practices were also a topic covered in the Advanced Program for Leadership and Management referred to above. These practices are being gradually introduced in the region as part of the modernization of tax administrations being supported by CAPTAC-DR.

### CUSTOMS ADMINISTRATION

**9. Work focused on consolidating progress achieved in Phase II in management and governance, risk analysis and post clearance audit, and trade facilitation through the adoption of best international practices.** At the same time, work expanded to include cross-cutting issues, such as digitalization of customs processes and gender equality. Key outcomes achieved during Phase III include:

- Management and governance. All countries defined a strategic plan, while Guatemala and Honduras also developed a customs modernization plan. Most of countries implemented accountability mechanisms, and Honduras reformed its customs administration to make it a decentralized administration. Costa Rica and the Dominican Republic updated their national customs laws.
- Risk Management. The Center contributed to the implementation of the Regional Integrated Risk Management Strategy on Customs (ERGIRA), developed in Phase II with CAPTAC-DR’s support. All countries adopted an operator’s segmentation methodology and identified risks on the most sensitive sector of goods. Five out of seven countries reported substantial reductions in the rate of physical inspection at borders, with the inspection rate currently at less than 10 percent. The region made significant efforts to implement a post-clearance audit model based on risk management and focused on the most risk-sensitive sectors. Honduras conducted an institutional assessment to adopt comprehensive risk management, while El Salvador, Costa Rica and Guatemala started the implementation of a compliance improvement plan based on risk management to combat fraud. Guatemala and Honduras launched action plans to strengthen control of special regimes and exemptions. At the Directors General of Customs' request, CAPTAC-DR updated the ERGIRA.
- Trade facilitation. The region continued to move forward with implementing the World Trade Organization Trade Facilitation Agreement (WTO TFA). The Dominican Republic implemented a project to increase the amount of cargo cleared in 24 hours or less and Guatemala initiated the implementation of a new customs clearance model to increase transparency. Costa Rica launched the first web portal dedicated to customs administration, called *AduanaFácil*. Panama created an on-line payment gateway to start automating the payment of fees and joined the Foreign Trade and Logistics Technology Portal (PORTCEL, acronym in Spanish) national project to share port management information of cargo.

[3] The program is also supported by the following Center partners: the Inter-American Center of Tax Administrations (CIAT, acronym in Spanish), the World Customs Organization-Swiss State Secretariat for Economic Affairs (WCO-SECO) Global Trade Facilitation Program, the National University of Distance Learning from Madrid (UNED, acronym in Spanish), the Inter-American Development Bank (IDB), and Spanish Agency for International Development Cooperation (AECID, acronym in Spanish).

- Training. In addition to the Advanced Program for Leadership and Management offered jointly with the tax administration area and referred to above, a new training course on post-clearance audit specialization was introduced in 2022. The course, the only one of this type in the region, is co-co-organized with the IEF of Spain and includes participation by the WCO and Spain's customs administration. Overall, the area has provided training to over 3,800 officials in Phase III, covering topics in addition to those mentioned above—such as risk management, RBM, strategic planning, gender equality, and the role of customs in dealing with international trade-related risks to the environment.
- Cross-cutting issues. On digitalization, Guatemala and Costa Rica launched a process to replace the management system while Honduras and the Dominican Republic have just initiated such process. The Dominican Republic launched a new risk analysis system while Guatemala and Honduras initiated such process. On gender, within the framework of the IMF's Gender Mainstreaming Strategy, the Center conducted a regional study on gender equality—the first such study in CAPRD—with support from the WCO and IEF, using the Gender Equality Organizational Self-Assessment Tool (GEOAT) developed by the WCO. The gaps identified constitute a base to TA activities by the Center and other TA providers in coming years. Through TA and training, the Center also promoted the adoption of good governance practices in customs administrations. These practices are being gradually introduced into the day-to-day operations of customs institutions in the region.

### PUBLIC FINANCIAL MANAGEMENT

**10. The region continued to make significant progress in improving public financial management (PFM) during Phase III.** CAPTAC-DR provided assistance to countries to develop capacities in i) budget management; ii) treasury management; iii) fiscal risk management; and iv) improved coverage, quality and timeliness of fiscal data. In addition, gender budgeting and the definition of budget classifiers for climate change were introduced as cross-cutting issues. Progress achieved has enabled the countries to improve analysis, fiscal-policy decision-making, the management of financial resources, and strengthen transparency. Key results achieved during Phase III include:

- Budget management. The ministries of finance strengthened their capacities to improve macroeconomic forecasting models, improve budget execution, and link budgetary control with public procurement systems. The quality and reliability of the fiscal frameworks was improved in Costa Rica, Honduras, Guatemala, the Dominican Republic, and El Salvador. At the same time, the quality and scope of the information accompanying the draft budget was also improved.
- Treasury management. Member countries now use electronic payment as the preferred means of payment. Honduras, Costa Rica, the Dominican Republic, and Guatemala have developed digital systems for collecting, recording, and reconciling treasury revenues, while Costa Rica initiated the automatization of the payment of social transfers in 2022. Low-volume institutional purchase cards, which replace bank accounts and the use of cash, have been implemented in five out of seven member countries. Cash forecasting has been improved, and cash-flow management and debt placements and servicing are coordinated through committees.
- Fiscal Risks. The region further developed competencies in fiscal-risk management. Countries improved their analyses of fiscal risks, which are now included in budget documents. The application in five countries of the Fiscal Risks Assessment Tool (FRAT), developed by FAD, introduced a portfolio perspective and greater understanding of the government's exposure to different fiscal risks. In addition, all countries have now adopted the practice of regularly publishing a statement on fiscal risks statement.
- Fiscal Transparency. There has been substantial improvement in the quality and timeliness of financial statements of the central government, reflecting the implementation of International Public Sector Accounting Standards (IPSAS) in 6 out of 7 countries. The Center supported the development of national standards manuals, strategic implementation plans, the issuance of accounting policies, and improvements in the presentation and content of financial statements. Panama, Nicaragua, and Guatemala conducted fiscal transparency evaluations, which have provided a framework and a roadmap for transparency-increasing reforms.
- Training. In Phase III, close to 1,800 officials have participated in training activities, mostly delivered virtually, covering on a wide range of topics, including treasury management, fiscal transparency, IPSAS, budgeting, and several cross-cutting issues (see below).
- Cross-cutting issues. The Center assisted Costa Rica in introducing gender budgeting. This is now present at the different stages of the budget cycle, from formulation to evaluation. For each stage, guidelines and regulations were issued to institutionalize the reform, and a budget law containing a section on gender budgeting was adopted. The Center also assisted Costa Rica in the development of a new system for social transfers that takes advantage of

digitalization, and which will foster financial inclusion and gender equity. Support was provided to five countries to conceptualize digital tools and solutions that made it possible to streamline processes, transform data into useful information for decision-making, reduce operational errors, facilitate communication with citizens, and increase fiscal transparency. In collaboration with FAD, the center has supported four countries (Costa Rica, Guatemala, Honduras, and the Dominican Republic) in the implementation of the Public Investment Management Assessment (PIMA) and PIMA Climate Change assessments. Training was also provided to countries in budgeting for climate change.

## FINANCIAL SUPERVISION AND REGULATION

**11. The region advanced on the adoption of international standards and best practices for supervision and regulation during Phase III.** At their own pace, despite the interruption of activities and changes in priorities due to the pandemic, countries progressed towards the adoption of Basel standards, and transitioned to risk-based supervision (RBS) and cross-border consolidated supervision. Most member countries adopted accounting rules based on International Financial Reporting Standards (IFRS). Training included cross-cutting issues, such as fintech, cybersecurity regulation and supervision, and climate-related financial risks. Progress in the regulation and supervision of the non-banking sector (i.e., insurance, securities, cooperatives) continued.

**12. As a result, member countries enhanced their regulatory frameworks and strengthened their supervisory capacities to support financial stability.** Some of the main outcomes of the Phase III include:

- Regional. Countries adopted advice on consolidated regulation and supervision for regional banking groups. They also established guidelines for adopting accounting practices based on IFRS. The CCSBSO received training and developed a regional diagnosis of Basel III standard implementation, with the objective of its adoption.

- Regulation. Countries updated prudential regulations (credit, market, and operational risks). They also issued standards for corporate governance, consolidated supervision, and loan-loss provisions. In addition, countries reviewed their cybersecurity regulatory frameworks. In the non-banking sector, one country reviewed the prudential regulation of the securities sector.

- Supervision. Financial supervisors resumed their work on strengthening capacities to oversee financial risks, after pausing it during the pandemic. In the banking sector, members refined the processes for RBS, and supervision capacity through training. The effort focused on credit, market, liquidity, operational risks, and basic forward-looking tools (stress testing). Members started to build capacities on the supervision of expected credit loss model and banks' internal assessment of capital adequacy. Countries started to develop capacities of supervising cyber risks. In the non-banking sector, the Center provided support on consolidated supervision of financial groups, training on RBS for the insurance sector, and supervision of financial cooperatives.

- Basel standards. The Basel agenda was also gradually reactivated, after it was put on hold due to pandemic-related priorities. Some countries updated regulations to introduce risk capital requirements (credit, market, operational) and developed guidelines on banks' internal assessment of capital adequacy. Most countries introduced the liquidity coverage ratio and plan to implement the net stable funding ratio. Countries started to analyze the implications of Basel III capital buffers.

- Training. The area has provided training to more than 900 officials during Phase III in several activities, covering issues such as credit-risk supervision, Basel standards, IFRS, consolidated supervision, insurance sector supervision, cybersecurity, Fintech, and risks derived from climate change.

- Cross-cutting issues. The Center provided training and TA on fintech, cybersecurity, and climate-related risks. Regarding fintech, the Center delivered training to regional authorities on various emerging fintech topics that affect the role of prudential supervisors. It also developed capacities on cyber risk regulation and supervision, providing targeted training at both regional and bilateral levels and assisting countries through regulatory reviews to manage cyber risks effectively. In reference to climate-related issues, the Center delivered regional seminars on climate risks and climate-related disclosures.

## CENTRAL BANKING AND MODELING

**13. Countries continued to strengthen their monetary policy operations to help them achieve their policy targets. Central banks achieved important outcomes planned for Phase III.** They improved their liquidity forecasting and macroeconomic modeling for policy analysis and forecasting. Countries, including those with dollarized economies, upgraded the frameworks for emergency liquidity assistance. Key achievements made during Phase III include:

- Monetary operations. Member countries with liquidity management operations enhanced their liquidity forecasting by complementing their institutional forecasting framework with advanced statistical models. They enhanced the instruments used to administer liquidity and achieve their operational targets. Central banks, including dollarized countries, enhanced their emergency liquidity assistance frameworks by adopting best practices.

- Foreign exchange operations. Member countries evaluated the operations with which they interact with the foreign exchange (FX) markets. Central banks worked on improving liquidity conditions in the spot market while setting the ground for developing derivatives markets to provide agents with hedging instruments to face FX movements. They also revised methodologies to set reference exchange rates, considering the principles for financial benchmarks of the International Organization of Securities Commission.

- Macroeconomic Modeling. During Phase III, countries developed and calibrated new semi-structural models to support their domestic short-term interest rate decisions, macroeconomic analysis, and policy and shock evaluation. They also enhanced their immediate and near-term forecasts that feed semi-structural models. Countries are also revising their forecasting process to provide a sound background that supports monetary policy decisions. In addition, CAPTAC-DR assisted some countries in developing models to improve macro-fiscal projections and analysis under special technical assistance projects managed by ICD.

- Training. The Center organized regional workshops to enhance central bank officials' capabilities in liquidity forecasting, derivatives instruments, macroeconomic modeling for short and long-term forecasts, and policy analysis. The training included hands-on exercises and experience sharing among participants. More than 400 central bank officials have taken part in training activities delivered by the Center in this area during Phase III.

### REAL SECTOR STATISTICS

**14. There was remarkable progress across all projects that contributed to significantly improving the quality of national accounts and price statistics in the region.** The adoption of the System of National Accounts 2008 (2008 SNA) and other international standards serves as a guide for improvements in the macroeconomic statistical framework of member countries, facilitating enhanced data availability for informed policy formulation. Training activities benefited from the support of various partners, such as Center for Latin American Monetary Studies (CEMLA, for its acronym in Spanish), Economic Commission for Latin America and the Caribbean of the United Nations (ECLAC-UN), and several statistical agencies from Latina America.

- National Accounts (NA). Four member countries (Guatemala, Honduras, Costa Rica, and Panama) updated the base year of their national accounts.[4] All CAPDR countries have now updated their NA base years using the 2008 SNA. This process of updating base years entailed expanding the scope and improving the methodologies employed for annual, quarterly, and monthly economic indicators. Additionally, concerted efforts were made to enhance statistical techniques utilized in the compilation of economic surveys, along with updating economic classifications to ensure accuracy and relevance. Costa Rica, Nicaragua, and the Dominican Republic also advanced on new NA rebasing projects, while El Salvador, Guatemala, and Panama made progress towards completing a more comprehensive data set for the current base year of their national accounts.

- Sectoral Accounts. On sectoral accounts, Costa Rica made progress in the compilation of the complete sequence of accounts proposed by the 2008 SNA, including financial and nonfinancial balance sheets, while Nicaragua advanced in the compilation of general government (GG) sector, fixed capital formation and taxes.

- Price Statistics. Statistical offices across the region enhanced their capabilities to modernize key price indexes. This improvement encompasses various facets, including the period of reference, base year, and weights of price indexes, all aimed at refining inflation measurements and bolstering national accounts estimates in real terms. Panama has made progress in compiling the foreign trade price index and is in the process of updating the base year of the consumer price index (CPI), drawing upon available income and expenditure survey data. Honduras successfully completed the compilation of the producer price index, tough this is yet to be published.

- Training. CAPTAC-DR conducted regional training aimed at enhancing technical proficiency in national accounts, designed to meet the specific needs identified by its member countries. These sessions encompassed a range of topics including quarterly national accounts and high-frequency indicators; the process of rebasing national accounts, implementation of the 2008 SNA, which included regional and satellite accounts; and harmonization of national accounts. Training during Phase III has benefited over 800 officials from the region.

[4] For Honduras, the updated data is yet to be published.

- Cross-cutting issues. The Center delivered a regional events series to present the flexibility of the 2008 SNA framework to include cross-cutting issues such as satellite accounts, the care economy, and the environment. Topics covered included accounting for the care economy by estimating the value of unpaid time devoted to domestic activities. A gender perspective was also presented on this issue. Training was also provided on introducing macro-relevant environmental and climate change factors to national account statistics.

## GOVERNMENT FINANCE STATISTICS

**15. Countries made further progress with the compilation and dissemination of public finance statistics based on international standards.** These standards are defined by the IMF's *Government Finance Statistics Manual 2014* (GFSM 2014) and the *Public-Sector Debt Statistics Guide 2011* (PSDSG 2011), which countries significantly advanced in their processes of adoption during Phase III.

- Coverage and Dissemination. Countries expanded the institutional coverage of GFS and PSDS. Guatemala achieved full coverage of GFS (above the line) for the public sector and all its subsectors. Honduras compiles revenue and expenditure statistics for the non-financial public sector and is working on the compilation of financing statistics. The Dominican Republic and Costa Rica, in turn, now compile and disseminate GG statistics for above-the-line data, excluding accrued interests. Costa Rica is also at an advanced stage in the calculation of accrued interest[5]–developing its own technological solution–which would make it the first country in the region to compile and disseminate public debt at nominal value. Most other countries compile revenue and expenditure statistics for the consolidated central government but have yet to complete the compilation of financing statistics.

- Financial Balance Sheet Statistics. Countries began working on the compilation of financial balance sheet statistics, seeking a full integration of stocks and flows to allow more comprehensive data as a basis for policy decision-making. Guatemala has advanced the most in this process and now compiles and disseminates financial balance sheets for the budgetary central government (BCG), extrabudgetary units (EBU), and consolidated central government (CCG).

- Regional Harmonization. As part of the regional harmonization project and the work of the Technical Group of GFS Experts (GTEFP, in Spanish), a GFS Regional Report is now published. This document includes a comparison of the GFS and PSDS data for CAPDR countries, compiled based on the methodological standards of the GFSM 2014 and PSDSG 2011.

- Training. Under the Regional GFS/PSDS Harmonization Project, the Center has continuously been providing training through seminars and workshops to strengthen the capacities of technical personnel who work on the compilation of statistics. Topics covered include the linkage between flows and balances in GFS, among others. The GFS workstream has also worked with the PFM area, delivering training on the convergence of accounting practices, IPSAS adoption, and the integration of GFS/PSDS methodologies. It has also integrated some activities with the real sector workstream to seek to guarantee consistency of macroeconomic statistical domains for decision making. The area has trained over 1,700 officials during Phase III.

- Cross-cutting issues. The area worked on integrating social and climate-change indicators and the United Nation's Sustainable Development Goals into public finance statistics. Training was provided on the construction of a functional classification of public expenditure (COFOG) to support the development of social and climate-change related indicators and metrics linked to the United Nation's Sustainable Development Goals (SDGs).

## FOUNDATIONAL TRAINING

**16. Foundational training is key to increasing technical capacities and human capital in member countries, and an important complement to CD assistance delivered under the Center's seven core workstreams.** As mentioned above, foundational training by the Center to member countries is delivered by ICD and, in addition to macroeconomic and financial topics, includes cross-cutting issues. The training program in Phase III covered areas such as macroeconomic diagnostics, inclusive economic growth, fiscal policy analysis, debt sustainability, financial development and financial inclusion, financial sector policies, macroeconomics of climate change, and economic integration. Separately, under a set of TA projects on macroeconomic frameworks managed by ICD, the Center also helped strengthen capacity in macro-fiscal projections and analysis at selected finance ministries and central banks, through the development of applied macroeconomic models. Overall, during FY20 to FY24, about 300 public sector officials took part in training delivered under the foundational program and these projects.

[5] The accrued interest data is being done sequentially starting with the budgetary central government.

SECTION I

# C

# COLLABORATION WITH DEVELOPMENT PARTNERS AND OTHER CD PROVIDERS

17. **CAPTAC-DR coordinates its work with other CD providers and collaborates with development partners.** Coordination with other CD providers is necessary to ensure that each other's work is complementary and to exploit synergies to further increase the impact of our activities. It may also allow identification of opportunities to collaborate and conduct joint work. Similarly, the Center collaborates with development partners that are not CD providers but have expertise in the areas in which it delivers CD assistance. This collaboration is normally in the form of co-organizing training activities and conducting them jointly, taking advantage of complementarities in expertise.

- Public Finances. The Center has collaborated with several TA providers and partners in the delivery of training programs and courses in the areas of tax and customs administration. The Advanced Program for the Leadership and Management of Tax and Customs Administrations, for example, has been co-organized with the IEF of Spain. This training program has also benefited from the collaboration of other TA providers and partners, particularly the IDB, CIAT, SECO-WCO, AECID, and UNED, who have all taken part in the delivery of all the annual program editions during Phase III. Similarly, in the customs area, the Post-clearance Audit Specialization Course has been conducted in partnership with the IEF (co-organizer), the Spanish Customs and Excise Department, and the IDB. In TA, the Center has worked in coordination with the IDB on customs reform in Honduras, with the World Bank (WB) in Costa Rica and Guatemala, and with the WCO in connection with a Regional Study on Gender Equality. In the area of PFM, there has been collaboration with UN Women in training on gender budgeting, and with the IDB on budget and treasury management.
- Financial supervision and regulation. In this area, collaboration with several Latin American partners has taken place in several regional workshops. These events have benefited from participation by the National Commission of Banks and Securities of Mexico, the Financial Market Commission of Chile, the Superintendency of Banking and Insurance of Peru, and the Financial Superintendence of Colombia.
- Macroeconomic Statistics. Collaborative relations were established with regional agencies and statistical agencies of Latin America in training on real sector statistics. Partners that joined training activities organized by CAPTAC-DR in this area include CEMLA, ECLAC, the National Institute of Statistics and Geography of Mexico (INEGI), the National Institute of Statistics and Informatics of Peru, the National Administrative Department of Statistics of Colombia, the Bank of Spain, the Central Bank of Brazil, and Central Bank of Chile. In government finance statistics, the Center has partnered with the United Nations Conference on Trade and Development (UNCTAD) on training related to public debt; with INEGI and the National Institute of Statistics and Geography of Brazil on the consistency of national accounts and government finance statistics; with the Central Bank of Brazil on the consistency of revenues and expenditure (e.g., above-the-line data) with financing (below-the-line data); and with CEMLA on joint training with the public financial management workstream on the integration of government finance statistics and the International Public Sector Accounting Standards.

SECTION I

# D BUDGET AND FINANCING

**18. Phase III expenditures are projected to reach US$35.8 million.** This figure includes FY2025 and assumes full budget execution for the FY. Expenditures were lower than anticipated in the first three years of the phase, owing primarily to pandemic-related restrictions on travel. While expenditure increased gradually as travel restrictions eased and health conditions improved, the savings in the context of the pandemic has allowed an extension of Phase III by 12 months, through April 30, 2025.

**19. The public finance workstreams continue to absorb the highest proportion of resources and are projected to account for 35 percent of expenditures.** The macroeconomic statistics workstreams would account for 19 percent of total spending, similar to the combined share of the central banking and modeling and financial sector workstreams. The remaining balance is allocated to managing CAPTAC-DR office and meeting HQ functions.

**20. External financial contributions have been lower than envisaged for Phase III, reflecting lower contributions by financial partners.** Total financial external commitments reached US$34.2 million out of a US$40 million target, with 59.2 percent sourced from financial partners, 24.7 percent from member countries, 4 percent allocated from the IMF's COVID-19 Crisis Capacity Development Initiative (CCCDI). Financial partners contributed US$22.7 million, close to US$8 million short of what was expected in the Program Document for Phase III.

**TABLE 1. CAPTAC-DR: FINANCIAL CONTRIBUTIONS FOR PHASE III**
**(In millions of U.S. dollars)**

| Partner | Contribution | Percent |
|---|---|---|
| **Total budget** | **38.4** | **100.0** |
| **Cash contributions** | **34.2** | **89.2** |
| CABEI - Cent. Am. Bank. Econ. | 2.5 | 6.5 |
| Colombia | 0.3 | 0.7 |
| European Commission | 8.1 | 21.2 |
| Luxembourg | 2.3 | 5.9 |
| Mexico | 5.0 | 13.0 |
| Norway | 3.5 | 9.0 |
| Spain | 1.1 | 2.9 |
| Member countries | 9.5 | 24.7 |
| Rollover of funds from Phase II | 0.5 | 1.2 |
| CCCDI IMF Initiative | 1.5 | 4.0 |
| **In-kind contributions** | | |
| IMF 1/ | 3.3 | 8.5 |
| Bank of Guatemala (Host) | 0.9 | 2.3 |

Source: IMF staff estimates.
1/ Includes ICD's contributions to funding of foundational training courses and TA projects on macroeconomic frameworks.

SECTION I

E

# MID-TERM EXTERNAL EVALUATION

**21. The mid-term external evaluation of CAPTAC-DR's Phase III focused on the Center's work in the areas of tax and customs administration.** The evaluation provided a deep dive on three case-study countries: Costa Rica, El Salvador, and the Dominican Republic. This pilot evaluation differed from previous ones aimed at assessing the work of the Center. It was conducted jointly with the evaluations for AFRITAC West and the African Training Institute. The evaluation took place mostly during FY24, and its report was finalized in April 2024. Preliminary findings and topics for recommendations were presented by the evaluators and discussed at the July 2023 meeting of the Center´s SC. The evaluator´s recommendations have provided further inputs for this Program Document and are outlined below and in Annex II.

**22. The assessment of the Center's work made by the evaluators is positive.** As in previous external evaluations, the evaluators used the Organization for Economic Co-operation and Development (OECD) Development Assessment Committee (DAC) criteria to assess the Center's performance during Phase III. The DAC criteria comprise relevance, coherence, effectiveness, efficiency, cost-efficiency and cost-effectiveness, and impact and sustainability, although not all criteria provided conclusions for the Center's evaluation. The general assessment of the Center's work on revenue administration is positive, highlighting that the workstream delivers CD that is relevant to member countries and that CD assistance has worked well and is on track to delivering strong outcomes by the end of Phase. The evaluators consider that the close dialogue with and constant support to CD beneficiaries at every stage of project life cycles have contributed to high performance and impactful results, with a reasonable level of cost efficiency. Similarly, they assess positively the close coordination with IMF country teams, which they consider it has ensured that CD is consistently integrated with member countries' reform priorities while supporting reform implementation. In addition, the evaluators give very strong marks to CAPTAC-DR's application of the RBM framework, which they consider as best practice. They also highly rate the Center's response to the pandemic and the rapid transition to virtual work, which ensured continuity in the delivery of CD assistance to member countries during this difficult period.

**23. The main recommendations from the evaluation that apply to CAPTAC-DR[6] are as follows:** 1) ensure that the evaluations conducted under the Tax Administration Assessment Tool (TADAT) are updated regularly and support TADAT self-assessments by member-country authorities; 2) further increase coordination with other TA providers; 3) consider having bi-annual SC meetings; 4) closely monitor areas and countries with stronger potential for impact and continue to share the resulting impact stories; and 5) increase the diversity of experts hired by the Center, particularly of short-term experts. CAPTAC-DR's responses and proposed actions are detailed in Annex II. As detailed in the Annex, the bulk of these recommendations will be implemented in Phase IV.

[6] As mentioned above, the external evaluation covers three centers. The evaluation report makes global recommendations and not all of these apply to all centers.

**SECTION II**

# THE NEXT FIVE YEARS: CAPTAC-DR´S PHASE IV

SECTION II

# A MACROECONOMIC OUTLOOK AND CHALLENGES

**24. CAPDR countries experienced a strong economic rebound after the pandemic, which has moderated since 2022 partly due to tighter global financial conditions.**[7] The region has weathered external shocks well, building on a track record of prudent policies (Figure 1). Real GDP growth is expected at about 3.8 percent in 2023, with substantial contributions from private consumption (supported by large remittance inflows), and idiosyncratic factors. Inflation has declined to around 3 percent—largely within targets thanks to stabilizing oil prices, lower food inflation, and monetary tightening. Since the height of the pandemic, there has been significant fiscal consolidation in the region, which has helped to stabilize public debt. International reserve buffers remain at adequate levels in most countries, and external account deficits are financed largely by Foreign Direct Investment (FDI) flows. The financial sector remains well-capitalized and liquid in most countries, but underlying vulnerabilities associated with dollarization, exposure to sovereign risks, and rising household indebtedness remain for some countries.

**25. Over the medium term, the region's average growth is expected to be in line with the potential of about 4 percent, but risks are on the downside.** Persistent structural weakness in some countries will continue to hinder their growth prospects. The region also scores poorly in terms of governance and corruption, while low judicial independence and weak insolvency frameworks and property rights can dampen the business climate. Furthermore, the region remains exposed to wide-ranging risks including climate events, supply-chain disruptions, further tightening of global financial conditions, and domestic-driven factors such as rising crime rates and political uncertainty. Also, some countries in the region are exposed to a significant increase in in-transit migration, which could add to fiscal pressures and social tensions.

## POLICY PRIORITIES

**26. Building on efforts to safeguard macroeconomic stability, the region must reinforce its policy framework to address underlying vulnerabilities and strengthen the business environment.** Some challenges across the region include (Figure 2):

- Fiscal policy Several countries in the region need to upgrade the multi-year fiscal budgets to safeguard fiscal sustainability while advancing inclusive growth. While some countries have been undertaking fiscal consolidation, the region needs to rebuild fiscal buffers and create the space to scale-up productivity-enhancing public capital investment to address poverty and promote economic development. A few countries are encouraged to adopt a fiscal plan to place the public debt on a firmly downward path to restore market access. All in all, countries in the region will benefit from restoring and upgrading their fiscal responsibilities laws by institutionalizing fiscal prudence through an enhanced framework that promotes transparency and accountability.

- Revenue measures. The region needs to advance reforms to broaden the tax base and strengthen the efficiency of the revenue collection to build fiscal buffers and restore capacity for countercyclical responses. CAPDR countries ought to review the efficiency and

[7] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, and the Dominican Republic.

progressivity of their tax systems, improve risk management and data analysis at tax and customs' administrations to reinforce compliance, and streamline wide-spread tax exemptions in VAT and corporate income tax, and improve taxation in selected sectors (e.g., mining, and digital). A few countries need to increase tax rates as part of consolidation fiscal package to place debt on a downward path.

- Public spending. Enhanced expenditure policies (EP) in all CAPDR countries are essential to underpin consolidation while protecting investment in social spending and infrastructure. Improving budget credibility and transparency is crucial to support fiscal management and countries' reform programs. Better targeting of subsidies is needed across the region to reduce imbalances and create space for investment in infrastructure. In addition, in a few countries rightsizing the wage bill is a critical element of their consolidation plans. In this vein, continuous efforts are needed to strengthening public financial management and public spending efficiency, safeguarding the macro-fiscal sustainability of social security systems, and reinforcing public investment and fiscal risk management of public-private partnerships (PPPs).

- Monetary and exchange rate. There is room to continue improving the monetary operational frameworks among the non-dollarized member counties. Supported by Fund TA, countries have been strengthening the role of the policy rates, liquidity management practices, open market operations, and reserve requirements to enhance the central banks' ability to forecast and manage liquidity. Prudent management, clear communication, and enhanced transparency remain crucial to ensure the proper transmission of monetary policy. Greater exchange rate flexibility is recommended for those countries transitioning to a fully-fledged inflation targeting regime. Furthermore, the introduction of well-communicated FX interventions rules would enhance market transparency and performance and support the development of the FX markets. Finally, counties are encouraged to bolster central banks autonomy, transparency, and accountability frameworks.

- Financial Sector. Additional progress is needed to modernize the regulatory framework to boost financial sector resilience and expand the macroprudential toolkit. Transition to the IFRS and convergence towards Basel standards would assist countries' authorities to monitor evolving risks and to add transparency. Some countries should reinforce the bank resolution framework and deposit insurance schemes. The region also needs to advance in closing the gaps with respect to international best practices in the regulation and supervision of financial conglomerates, non-banking credit institutions, insurance, and securities market. Countries should continue to strengthen Fintech institutions and virtual assets providers supervision, cybersecurity regulation, financial risks related to climate change and their anti-money laundering and combating the financing of terrorism (AML/CFT) framework. Further development of capital markets is also important to channel domestic savings to their most productive uses.

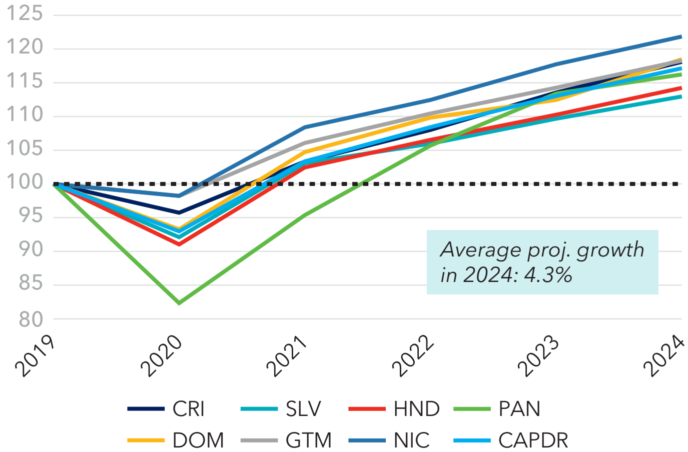
- Structural reforms. Improving governance and the business climate in the region is also critical to increasing competitiveness and promoting both private and foreign investment and to increase market access. CAPDR members will benefit from strengthening anti-corruption mechanisms such as the asset declaration framework, contract enforcement, judicial independence, protection of property rights, and the digitalization of government services. Closing infrastructure and education gaps can support inclusive growth, which can also help to retain the region's human capital.

- Statistics. Ongoing effort to upgrade the statistical frameworks in the region should continue. Adopting or upgrading the current international standards on public finance statistics is key to improve accountability and fiscal transparency. This priority entails the full implementation of the methodology established in both the Government Finance Statistics Manual (2014) and the Public Sector Debt Statistics—Guide for Compilers and Users (2011). In some cases, an improvement in timeliness of key macroeconomic statistics is warranted. Finally, countries in the region need to ensure macroeconomic statistics adequately record operations in digital assets.

## FIGURE 1. CAPDR: RECENT MACROECONOMIC DEVELOPMENT

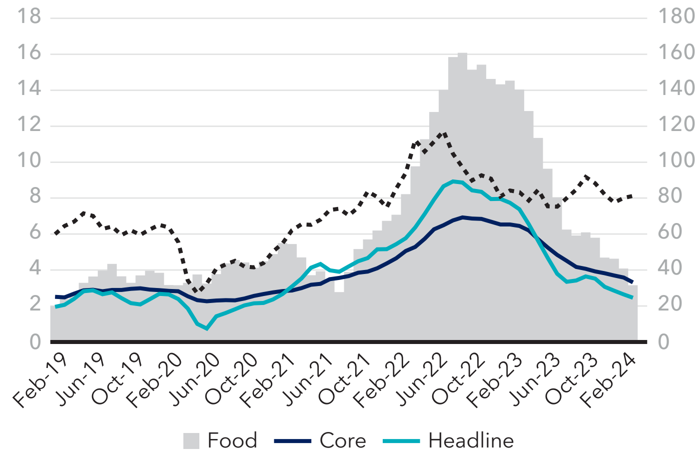
**Despite post-pandemic shocks, growth in the region has held up well...**

CAPDR Countries Real GDP
(Index, 2019=100)



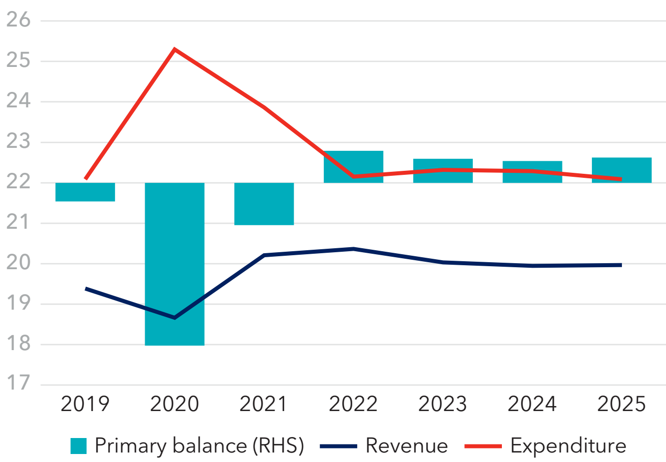

**...with headline inflation coming down.**

CAPDR Average Headline, Core and Food Inflation and Oil Prices
(Percent and US$)



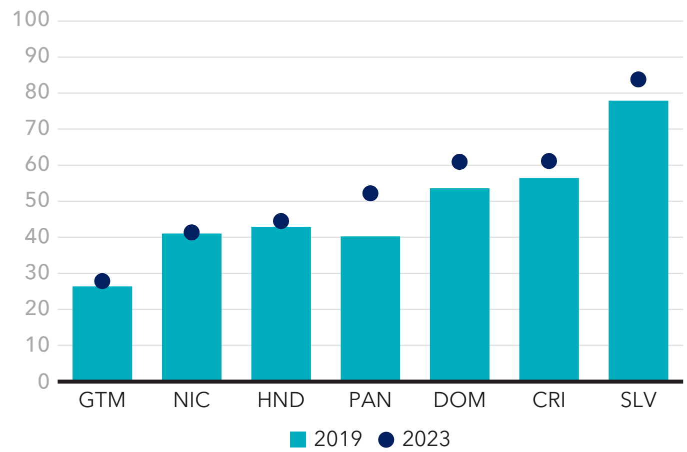

**Fiscal consolidation has helped stabilize public debt**

CAPDR: Primary Balance, Revenue, and Expenditure
(Percent of GDP)



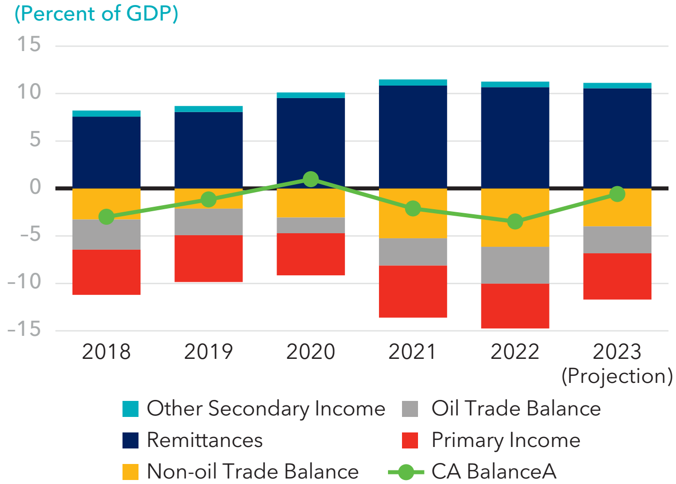

**...but it has not returned to pre-pandemic levels in all countries.**

General Government Gross Public Debt
(Percent of GDP)



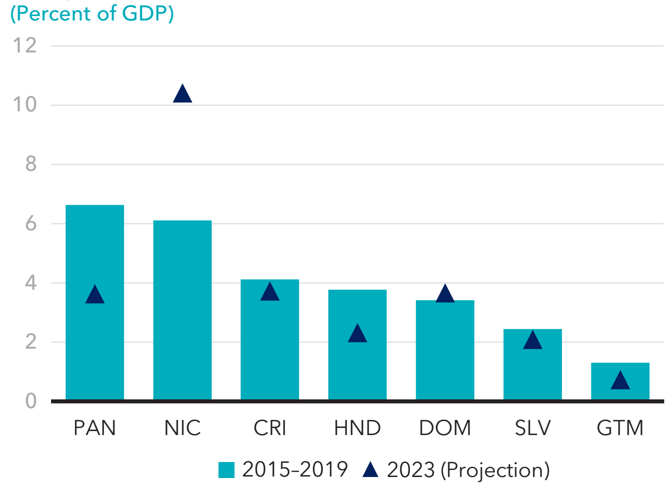

**CA deficits have narrowed driven by falling commodity prices, robust remittances, and tourism...**

CAPDR: Current Account Balance
(Percent of GDP)




**...while FDI flows are still not quite back to pre-pandemic levels.**

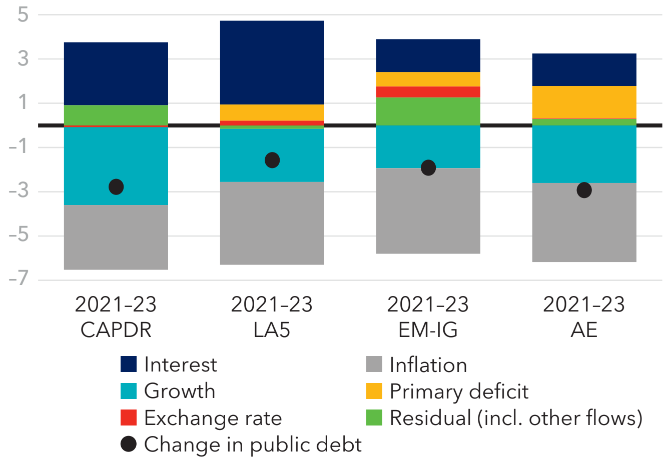
Foreign Direct Investment
(Percent of GDP)



## FIGURE 2. CAPDR: POLICY CHALLENGES

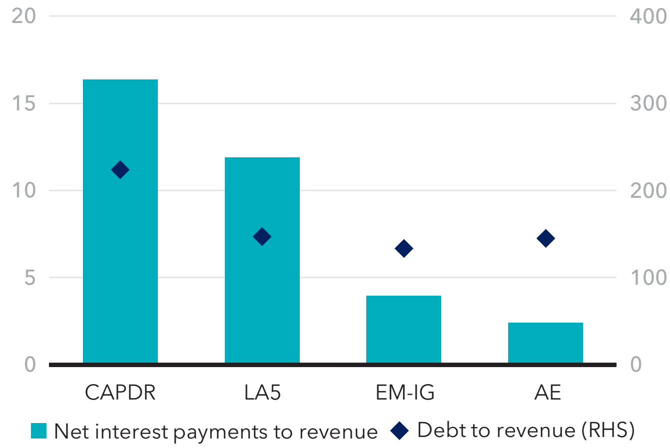
### High interest costs and extra-budgetary factors are key drivers of debt in the region.

Decomposition of CAPDR Public Debt Changes
(Averages, percentage points of GDP)



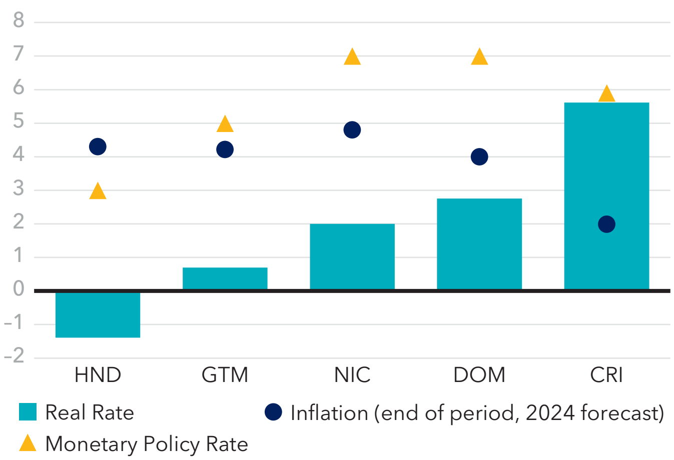

### Broadening the tax base and improving tax efficiency should drive fiscal consolidation.

Net interest payments and debt to revenue, 2023
(Percent; Percent of GDP)



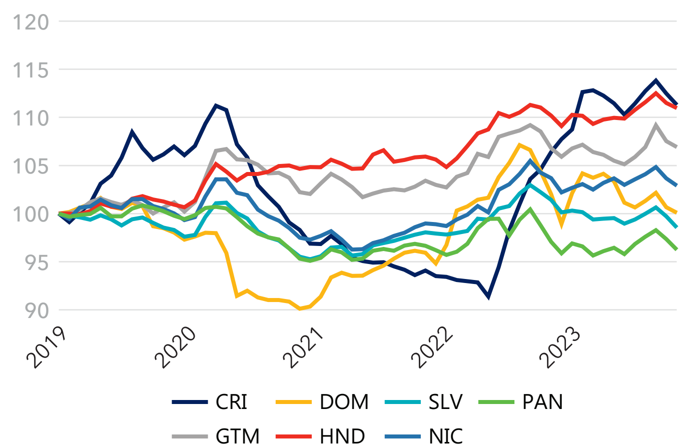

### There is room to improve the monetary operation frameworks in the region...

Inflation, Monetary Policy, and Real Rates
(Percent)



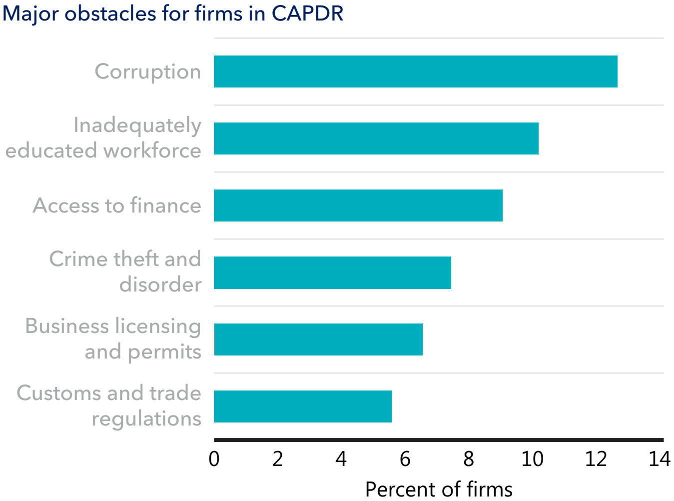

### ...to avoid fueling REER appreciation in some countries.

Real Effective Exchange Rate
(Index, 2010=100)



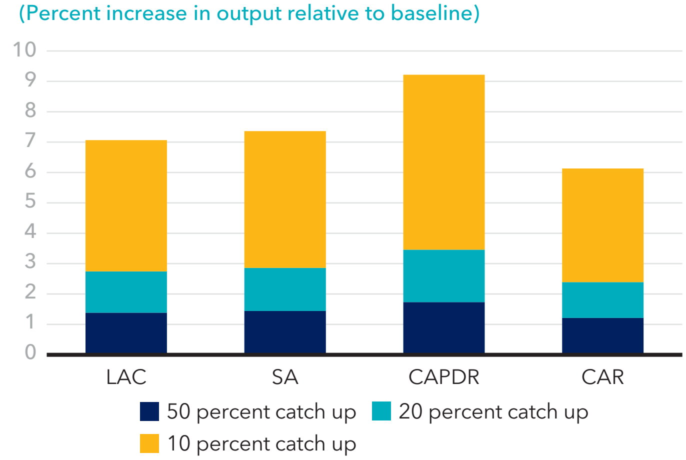

### Strengthening anti-corruption mechanisms...

Major obstacles for firms in CAPDR




### and closing infrastructure gaps will help countries to boost investment and to increase output.

Output gains from closing infraestructure gaps with advanced economies
(Percent increase in output relative to baseline)



SECTION II

# B CD STRATEGIC OBJECTIVES AND PRIORITIES FOR THE REGION

**27. The overarching medium-term objective of the Center's CD assistance is to continue to support macroeconomic and financial stability and promote sustainable, inclusive economic growth.** As indicated above, there is a need to reinforce economic policy frameworks and reduce underlying vulnerabilities. The Center will provide CD to support efforts to address these needs.

- **Public finances.** Building on progress made during previous phases, CD support will aim at continuing to improve fiscal institutions to promote sound public finances, support revenue mobilization, and improve expenditure efficiency and quality. This is crucial to increase investment in infrastructure and human capital to boost potential growth while reducing inequality and poverty and safeguarding fiscal sustainability. Continuing to provide assistance to strengthen government finance statistics to support economic analysis and policy decisions will also be a priority.
- **Central banking and modeling and financial sector.** CD assistance by the Center will continue to support ongoing efforts to further strengthen the operational framework for monetary and exchange rate policies, while boosting capacity in macroeconomic modeling to support economic analysis and policymaking not only at central banks, but to finance ministries and other institutions. In the financial sector, the Center will continue to support work to modernize financial regulation and supervision while building capacity to respond to new opportunities and challenges arising from digitalization.
- **Cross-cutting issues.** Building on progress made during Phase III, supporting countries to further advance on integrating cross-cutting issues (climate change, gender balance, digitalization, inclusion, transparency, etc.) into economic policies and public administration work will remain a key component of the Center's work agenda.

**28. CD priority areas in the region have evolved during the current phase.** Reflecting progress in building capacity to improve real sector statistics (RSS, i.e., national accounts and prices), demand for assistance in this area declined in most countries in the last few years, with some countries demanding very little TA. It is now considered that current CD needs in this area do not justify having a resident advisor at CAPTAC-DR. These needs would have to be served by IMF Headquarters through the Statistics Department (STA). Against this background, the Center would reallocate resources to open a workstream on expenditure policy, which both member countries and the Fund see as a priority for the region and where demand for assistance has been exceeding supply. This shift in resources would allow to keep the size of the Center unchanged while addressing top priorities, amidst a challenging financing environment to support the program for Phase IV.

**29. Against this background, the following areas have been identified as priorities**, in consultation with member-country authorities and financial partners and considering the recommendations from the mid-term external evaluation (see below):

(1) Tax Administration

(2) Customs Administration

(3) Public Financial Management

(4) Expenditure Policy

(5) Financial Sector Regulation and Supervision

(6) Central Banking and Modelling

(7) Government Finance Statistics

SECTION II

C

# CAPACITY DEVELOPMENT PROGRAM

## TAX ADMINISTRATION

**30. CD work in Phase IV will seek to improve tax administration effectiveness and tax revenue collection by promoting best international practices.** The selection of lines of work follows priorities identified with country authorities, progress in best practices by tax administrations, recommendations from previous missions, and previous TADAT assessments. Annex 1 shows a diagram relating to tax compliance in tax administration.

- **Use of electronic invoicing (EI) data across tax and customs administrations and development of prefilled VAT returns.** EI is being implemented in five countries of the region, with different degrees of progress so far. However, in most of them, EI data are not used in the substantive tax and customs administration processes. International experience suggests that EI is useful for tax service and control. The focus of the assistance to be provided by the Center will be on using this information for tax registration, on-time filing and tax payment, tax audit, tax arrears collection, and VAT refund.

- **Compliance Risk Management.** CRM has shown important advances in the region but requires further improvement to get closer to best practices. The Center will support the continued strengthening of the foundations and application of CRM in all tax administrations in the region.

- **Audit procedures.** Audit is a core tax administration process, and its main function is exercising tax risk perception to taxpayers. The Center will support updating general and sectoral audit manuals with the largest tax gaps, with a focus on increasing the effectiveness of the tax audit function.

- **Tax arrears collection.** According to the International Survey on Revenue Administration (ISORA), average tax arrears in the region for VAT is 15.2 percent and 16.5 percent for business income tax as a share of revenue collected from each tax. The Center will provide assistance to reinforce the collection of tax arrears, with the aim of increasing compliance and close the arrears gap on both VAT and business income tax.

- **Data governance and IT security.** Data access and information are more vulnerable nowadays.

While there is no certainty that all cyberattacks can be blocked, clear governance on data owners and access, and enhanced security information policies facilitate mitigating risks. The Center's will foster governance practices that allow sharing tax information with other secretariats, improving the functioning of governments.

- **TADAT.** TADATs are a valuable tool to detect gaps and improvement areas and help tax administrations define strategic actions. CAPTAC-DR will work with the authorities to update these assessments as needed.
- **Training.** The Center will continue to provide training to enhance mid- and high-level managerial capacity through the Advanced Program for the Leadership and Management of Tax and Customs Administrations. In addition, training will be provided on international experience on tax registration, filing and payment of taxes, accuracy of reports and audits, tax arrears collection, legal defense, tax refunds, IT reinforcement of analytical data and information security, and CRM.

## CUSTOMS ADMINISTRATION

**31. Building on progress made during Phase III, CD will focus on further reducing gaps in management and governance arrangements and core administration functions.**

- **Management and governance.** Work will focus on establishing a performance measurement culture to improve decision-making processes, strengthen accountability and transparency practices, update customs legislation, and establish an administrative career path in Honduras, update the strategic plan in Panama, and define and implement general institutional policies on integrated risk management, gender equality, climate change, and anti-corruption throughout the region.
- **Risk Management.** The implementation of the updated ERGIRA will provide the basis for work on risk management in the region. Compliance improvement plans (CIPs) will be developed or assessed were already under implementation. The Center will support bolstering data analytics capabilities to improve risk analysis and the implementation of new computerized risk analysis systems. Assistance will also be provided to improve the control of special regimes by implementing a current account for goods under these regimes, as well to improving the administrative process derived from the audits.
- **Process management.** The WTO TFA will continue to guide the region's work in reviewing and updating customs processes under a process management approach. Specific topics to be supported include expanding customs clearance models, improving customs processes implementation 24-hours clearance, and implementation of coordinated port management processes. A major challenge for the next phase will be the establishment of end-to-end traceability in some countries.
- **Digitalization.** The Center will support the definition and implementation of the new computerized customs management systems planned by Guatemala, Honduras, and the Dominican Republic. In addition, Guatemala and Honduras will implement new risk analysis systems, and Costa Rica (Hacienda Digital with the WB) and Honduras (Modernization Project with IDB support) will implement new audit management systems. The region will work on the adoption of business intelligence technologies.
- **Gender equality.** With the aim of closing the gaps identified in the regional study of gender equality of CAPTAC-DR and continuing with the implementation of the IMF's Gender Mainstreaming Strategy, the Center will promote the incorporation of gender equality in the reform and modernization agenda of customs administrations. The regional gender equality study will be reviewed and updated to measure the effectiveness of the actions undertaken.
- **Climate change.** The main purpose will be the implementation of specific plans of action to meet the needs of relief shipments, coordination protocols and cooperation agreements identified in FY2024.
- **Training.** In addition to the Advanced Program for Leadership and Management of Tax and Customs Administrations referred above, the Post-clearance Audit Specialization Course will continue, following the guidelines established in the updated Regional Strategy for Integrated Risk Management in Customs. Training in other specific topics will also be provided.

## PUBLIC FINANCIAL MANAGEMENT

**32. The strategic objectives of Phase IV will be to promote greater fiscal sustainability, strengthen budget management, improve transparency, and achieve a more efficient use of resources.** It will be important to improve budget forecasting and execution, the integrated management of financial assets and liabilities, and the scope, quality, and timeliness of fiscal information, as well as to provide traceability to public policies on cross-cutting issues.

**33. Phase IV will focus on improving budget management throughout its entire cycle, from programming and subsequent budget execution to transparent reporting of fiscal information,**

**integrated financial asset and liability management, and fiscal risk portfolio management.** Increasing fiscal transparency and incorporating gender and climate change sensitivity instruments into the budget cycle and its documents will be an important component of the work program. Expected outcomes of Phase IV include:

- **Budget Management.** The focus will be on strengthening medium-term fiscal frameworks, improving budget forecasting, and capacity building for reliable budget programming and budget execution that follows PFM best practices, strengthening the link between budget allocation, execution, and the treasury's financial capacity.

- **Asset and liability management.** Advancing in the expansion of the Treasury Single Account (TSA) coverage, giving fungibility to deposited resources will allow for greater efficiency. Further advance in the modernization of treasury management through its digitalization, with special attention to the classification and recording of revenues and payments, will improve the timeliness and reliability of fiscal reporting and strengthen accountability.

- **Fiscal risks.** Consolidating the management of the fiscal risk portfolio will require the identification of each risk profile, the transmission channels, the management of mitigation options under this perspective, and expanding the scope of annual risk reports to include this comprehensive vision. The Center will continue to support countries in the application of fiscal-risk management tools with special interest in contingent liabilities, state-owned enterprise risks, and PPPs, so that they can be incorporated into the risk portfolio.

- **Transparency.** The topic will be present in all TA and training activities carried out by the center. IPSAS implementation will continue, seeking to align accounting standards, budget classifiers and fiscal statistics standards; and to expand the coverage of financial statements. The Center will also help countries gear their reform plans to the areas for improvement identified in the fiscal transparency assessments.

- **Cross-cutting issues.** Efforts will continue to further integrate gender and climate change into budgeting throughout the region. The traceability of resources earmarked for equality will make it possible to improve budget allocations and have data that make official policies more credible. The adoption of good governance practice in PFM would also be a line work in which the Center will continue to support the region. In digitalization, support will foster innovation and simplification of processes to promote transparency, increase efficiency, and facilitate control and accountability.

- **Training.** Training is an essential pillar to increase finance ministries' capacity to lead sustainable reforms and achieve the phase's objectives. It will focus on training human resources (HR) under an integral vision of public financial management, allowing HR mobility between different government entities without affecting management. In addition, it will conduct training focused on gender, climate change, and fiscal transparency. It will coordinate with COSEFIN and development partners to take advantage of synergies.

## EXPENDITURE POLICY

**34. The strategic objective for Phase IV is to create the fiscal space needed to address raising social demands, protect the most vulnerable, and lift human and physical capital to promote growth.** The need to enhance expenditure policy is not new to the region, but the narrowing of fiscal space during the pandemic and the need for fiscal consolidation afterward has made it an even more essential component of policy actions going forward. It is vital for government to spend well, that is, to make the right spending allocation and maximize value-for-money. To support this and strike a balance between fiscal consolidation and opening space to address poverty and promote economic development, the Center will support the following expected outcomes:

- **Pensions.** Improve the sustainability of public contributory and non-contributory pension systems while ensuring adequacy or retirement income and pensions. Increase the efficiency of contributory and non-contributory pensions. Reduce explicit and implicit exposure of public finances to the sustainability of private pension systems.

- **Wage bill.** Make government employment and pay more competitive and consistent with fiscal constraints. The Center will support countries assess the composition and structure of wage and grade scales, premia relative to the private sector, size of employment, and options for aligning the management of the wage bill with efficient service delivery.

- **Energy and fuel subsidies.** Reduce subsidies while mitigating the impact on vulnerable households. The Center will assist countries in identifying issues related to targeting, adequacy, and efficiency, as well as in eliminating off-budget subsidies and quasi-fiscal cost of subsidies born by the private sector.

- **Spending on physical and human capital.** Assess the quality and adequacy of spending on health, education, and social safety nets, and assessing investment spending. Estimate the additional spending required to achieve the SDGs in the areas of health, education, and social safety nets. Expand the adequacy and quality of social protection systems, education programs, and health care schemes in a socially and fiscally responsible manner, aiming to protect vulnerable groups and deliver value-for-money.

- **Cross-cutting issues.** Make countries ready to face the digitalization of the state, so that medium-term expenditures harness the full potential of digitalization. Adopt spending measures to close gender gaps in the economy and reach gender inclusive outcomes and implement gender-budgeting. The Center will support the production of climate-change and UN's SDG indicators derived from the COFOG and the GFS frameworks.

**35. The Center will leverage existing diagnostic tools. The Expenditure Assessment Tool (EAT) allows evaluating the level and allocation of government spending and helps identify potential areas to increase spending efficiency or rationalize spending.** The Social Protection and Labor Assessment Tool (SPL-AT) helps examine and identify deficiencies in SPL systems, providing information that offers a broad understanding of the country context (e.g., poverty, inequality, labor market), social assistance expenditure, and performance. Spending reform analysis provides a deep dive in areas such as food and energy subsidies, social safety nets, pension systems, and public wage bill management to identify options to ensure public spending is adequate, efficient, and fiscally sustainable while considering the distributional implications of policies. Finally, the SDGs costing exercise estimates the public and private additional spending needed to deliver the SDGs agenda in five key sectors (education, health, roads, electricity, as well as water and sanitation), with the possibility to cost reaching objectives for climate action.

## FINANCIAL SUPERVISION AND REGULATION

**36. Building on previous progress, the focus will be on the continued implementation of international standards and best practices on supervision and regulation for Phase IV.** In the banking sector, CD activities will center on RBS, Basel standards implementation, and the use of expected credit loss models. CD demand in other growth areas of financial sector support, such as fintech, cybersecurity regulation and supervision, and climate-related financial risks, as well as non-banking supervision and regulation (i.e., insurance, securities) will be closely coordinated with HQ. Main lines of work for Phase VI are:

- **Regional.** In line with Basel standards, regional supervisors will start working on foundations for the development of cybersecurity supervisory tools and the supervision of climate-related financial risks.

- **Regulations.** Enhance the regulatory and prudential frameworks to further underpin financial stability. Countries will update and introduce risk regulations (credit, market, and operational risks) and other standards (interest rate risk in the banking book, concentration, and related parties' transactions). Countries are also interested in overseeing emerging risks, and CAPTAC-DR will assist as needed. In the banking sector, countries plan to enhance regulations on Pillar 2 of the Basel framework.

- **Supervision.** Oversee critical risks in the banking and non-banking sectors more effectively. In the banking sector, the Center will continue supporting core RBS areas, such as governance, credit, and liquidity risk supervision. Building on previous Phase III efforts, the Center will strengthen capacities for using and supervising expected credit loss models and review banks' internal capital adequacy assessment. The demand for CD on cybersecurity issues is expected to increase and with the support of MCM, CAPTAC-DR will continue assisting member countries. In the non-banking sector, TA will be provided with risk-based consolidated supervision and develop the capacity to supervise the insurance, securities, and cooperative sectors.

- **Basel standards.** Support on Basel standards implementation will be provided bilaterally according to country needs. Building strong capital positions to cover unexpected risks will require primarily the introduction of: (i) updated capital definition, (ii) required capital for market and operational risks, and (iii) guidelines for internal capital adequacy assessment. Regarding liquidity standards, the introduction of the liquidity coverage ratio where not yet in place and the net stable funding ratio will be accompanied by the use of liquidity stress test tools.

- **Training.** The strategy is to continue supporting the implementation of TA projects and building supervisory skills of regional officials. Through regional workshops, training will cover core financial supervision and cross-cutting topics, including cybersecurity regulation and supervision, fintech, and climate-related financial risks. These events will serve as a platform for addressing bilateral TA requests.

### CENTRAL BANKING AND MODELING

**37. Member countries with monetary policy operations need to continue strengthening their operational frameworks to achieve their operational targets and, in doing so, achieve price and macroeconomic stability.** Their monetary and FX operations must foster the development of liquid and efficient markets. Central banks should improve their modeling capabilities and forecasting and policy analysis systems. The latter will improve internal and external policy communications, bolstering the general public's trust.

**38. The strategic objectives for Phase IV will build on previous progress to improve the effectiveness of monetary policy, development of domestic markets, and macroeconomic modeling capacities.**

- **Monetary and Foreign exchange operations.** Central banks will continue enhancing their operational frameworks so that their instruments and targets are consistent in the monetary and exchange rate markets. For countries with some degree of flexibility in their exchange rate, the goal is to enhance domestic markets and develop derivatives markets to provide hedging instruments.
- **Macroeconomic modeling.** Countries will enhance their capacity to develop, calibrate, and use macroeconomic models to support their decisions for domestic interest rates and policy and other scenario analysis.
- **Training.** The Center will continue designing and delivering regional workshops to improve central bank instruments and operations, macroeconomic modeling, forecasting and policy and scenario analysis.

### GOVERNMENT FINANCE STATISTICS

**39. The Center will continue to support the adoption of current international standards in GFS and PSDS.** The methodologies established in the GFSM 2014 and the PSDSG 2011 will continue to guide TA and training to member countries. Some counties have shown significant progress in adopting these standards while others are still in more basic stages in the GFS/PSDS compilation process.

- **Government Finance Statistics.** The expansion of institutional coverage of data to include main state-owned enterprises (SOEs) with the aim of achieving the full public sector coverage relevant for fiscal analysis continues to be the main objective. Ensuring consistency of revenue and expenditure with financing is also a priority to have sound statistics for decision-making. The compilation of financial balance sheets for the central government and its components, as well as the consistency of stocks and flows, will also be a key line of work.
- **Public Debt Statistics.** The main drivers of work in this area will be (i) strengthening debt statistics by expanding the institutional coverage of data (including the main SOEs) and coverage of instruments (including, among others, other accounts payable); and (ii) incorporating nominal and market valuation to support debt sustainability analysis. Compilation of net debt will also be an objective, at least in some countries.
- **Training.** Regional training in GFS will aim at developing fiscal indicators related to climate change, social analysis, and the United Nation’s Sustainable Development Goals through enhancing the classification of functions of government expenditure (COFOG). PSDS efforts will focus on strengthening the technical capacity of the teams of the ministries of finance and central banks to move forward on expanding data coverage, including fiscal risks such– as contingent liabilities and government guaranteed debt–and the compilation of net debt.

SECTION II

# D CD STRATEGY INTEGRATION

**40. The Center's CD program will be integrated with the CD and policy work of the IMF to ensure complementarity and exploit synergies.** The Center will coordinate closely its CD assistance with that provided to the region by the Fund's CD departments, notably by the Institute for Capacity Development (ICD), FAD, MCM, Legal, and STA departments. This integration aims to avoid duplication and ensure complementarity while exploiting synergies, thereby maximizing CD impact. Synergies among the workstreams covered by the Center will also be exploited to further increase the effectiveness of CD. CAPTAC-DR will also work closely with Western Hemisphere Department (WHD) country teams for the region to ensure that CD is well integrated with surveillance and Fund-program work. This would make CD and country work more effective and impactful.

**41. CD assistance by the Center will also be coordinated with other multi-country CD initiatives underway at the Fund.** These include the newly established Global Public Finance Partnership (GPFP), the Financial Sector Stability Fund (FSSF), the AML/CFT Thematic Fund, and the Data for Decisions (D4D) initiative. A clear division of labor will need to be established with these vehicles.

**42. CAPTAC-DR will also continue with the now-established practice of integrating TA with training.** A significant proportion of CD assistance delivered by the Center consists of training, which takes place at a regional level and bilaterally (including TA supporting training on macroeconomic frameworks).[8] These two CD modalities complement each other, and the Center will continue to make efforts to find the right mix to maximize the effectiveness and impact of its CD work. Given that member countries tend to have similar needs, regional training provides an efficient way to address those needs while offering an opportunity for peer learning and networking—which can also support continued peer learning.

[8] From FY20 to FY24, the Center delivered more than 215 training activities (e.g., seminars, courses, workshops, and bilateral training), involving participation by over 12,500 officials.

SECTION II

E

# PROJECTED FINANCING REQUIREMENTS

**43. The budget for Phase IV stands at US$51.8 million, up from US$43.4million for the current phase (see Table 2).** The increase is in line with cumulative inflation, with the budget in real terms remaining broadly unchanged from Phase III. This is consistent with the plan to keep the number of residents advisors and workstreams unchanged from the current phase, at seven. The underlying level of CD activity behind the budget is broadly in line with that of Phase III. The Center will continue to use the mixed or hybrid formats for the delivery of CD assistance to foster efficiency while ensuring that assistance remains effective.

**44. The financing of the budget would be shared by member countries, development partners, and the IMF.**

- **Financing outlook.** While the Center remains the main institution for CD delivery in CAPRD, the financing environment for RCDCs in the region has become very challenging, with some financial partners reallocating their aid-related budgets in response to shifting strategic or regional priorities. A fundraising strategy with an action plan is being developed by ICD and CAPTAC-DR, with the aim of further diversifying the Center's development partner base and fully funding the proposed budget.
- **External financing**. Targeted resources sought from development partners and member countries (external financing) amount to US$46.6 million. Given the more challenging funding environment in the CAPDR region, it is proposed that members countries increase their total contribution to about US$14 million, from an overall contribution of US$9.5 million in Phase III. This would bring their share in external financing to 30 percent (up from about 24 percent in Phase III). The proposed increase seeks to adjust for cumulative inflation and respond to the increased difficulty of securing financing from development partners. Ongoing fundraising efforts will continue to secure new commitments and contributions for Phase IV. Targeted resources sought from development partners amount to US$32.6 million, compared to US$30.5 million for Phase III.[9]

[9] The level of assistance provided by the Center might need to be adjusted in case of a funding shortfall relative to the budget.

**TABLE 2. CAPTAC-DR: PROPOSED BUDGET FOR PHASE IV (In millions of U.S. dollars)**

| Workstream / Activity | Budget |
|---|---|
| Tax Administration | 5.8 |
| Customs Administration | 5.7 |
| Public Financial Management | 5.8 |
| Expenditure Policy | 5.8 |
| Banking Supervision and Regulation | 5.7 |
| Central Banking and Modeling | 5.4 |
| Government Finance Statistics | 5.2 |
| ICD Training | 1.4 |
| Governance and Administration | 1.7 |
| Contingency | 1.1 |
| **Subtotal** | **43.6** |
| *Trust Fund Management* | 3.1 |
| **Targeted External Contribution** | **46.6** |
| IMF (In-kind) | 3.8 |
| Bank of Guatemala (In-kind) | 1.3 |
| **Total Budget for Phase IV** | **51.8** |

Source: IMF staff.

- **In-kind contributions**. The remaining US$5.2 million will be sourced from the Fund and the host country (Guatemala) in the form of in-kind contributions (Table 2). These contributions have been adjusted for cumulative inflation relative to Phase III. The IMF's contribution reflects, in addition to this adjustment, an increase in its financing of local administrative expenses.

**45. The budget allocation is in line with that of Phase III but entails some changes across broad CD areas to accommodate new CD priorities.** Compared to the Phase III budget, the Phase IV budget allocates more resources to the area of public finances, reflecting the addition of the workstream on EPO. Correspondingly, the share of resources allocated to macroeconomic statistics is reduced, with the closure of the RSS workstream. The share of resources to the monetary policy and financial sector workstreams is broadly in line with that for Phase III. The allocation to ICD Training will cover foundational training to continue to support the development of human capital. Like the budget for previous phases, the Phase IV budget provisions for the cost of backstopping and project management by Fund CD departments. This is needed to ensure that CD assistance delivered by the Center is consistent with Fund standards and delivered timely and efficiently. The budget also includes a contingency reserve of about 2.5 percent for unforeseen needs and provisions for the next mid-term external evaluation.

SECTION II

# F OPERATIONAL AND FINANCIAL MANAGEMENT

**46. Center administration.** The Center's director is responsible for the administration of the Center, with strategic guidance from the SC and general oversight from the IMF. This entails managing day-to-day work, travel, budget, reporting, procurement, and accounting. In consultation with the SC, the IMF WHD, and the IMF Capacity Development Departments, the director leads the preparation of the work program and budget and monitors their execution. The director is in regular contact with country authorities, relevant regional organizations, development partners, and other CD providers in the region to keep them informed of the Center' activities and to facilitate coordination.

**47. Annual workplans.** The Center prepares annual workplans to make operational the strategic objectives and CD program for the phase outlined in the Program Document. The Center's resident advisors maintain a continuous dialogue with member-country authorities and IMF country teams on CD needs and priorities, which are reflected in the annual workplans. These plans are aligned with the IMF's budget cycle, which facilitates financial management and execution.

**48. Coordination with other TA providers.** As mentioned above, CAPTAC-DR coordinates its work with other TA providers while working jointly with some of them and other development partners. Several partners provide significant TA to the region, notably the IDB, the WB, the United States Agency for International Development, the World Customs Organization, CIAT, the EU, and some UN Agencies, such as the UNCTAD. The Center also conducts joint activities, especially training, with some of these CD providers and other partners (notably the Institute for Fiscal Studies of Spain, Spain's Tax and Customs Agencies, the Secretariat for Central American Economic Integration, and the Economic Commission for Latin America), taking advantage of complementarities in expertise and exploiting synergies.

**49. Performance.** The Center relies on the RBM system to track the implementation of CD projects. Member countries and the Center agree on a logical framework (logframe) for each project, establishing a set of milestones and indicators to gradually achieve the strategic objectives (Annex III presents the logframe for Phase IV). Logframes are based on RBM catalogs of standard indicators and objectives, which harmonize all CD services delivered by the IMF. This system provides a consistent framework for assessing the effectiveness of CD delivered by the Center and is integrated into the Fund's CDMAP.

**50. Quality.** The IMF HQ and the Center share responsibility for sustaining the quality of the advice of activities delivered by CAPTAC-DR. This entails careful selection of experienced and highly qualified resident advisors and hiring of short-term experts from a roster of qualified experts maintained by IMF CD departments. It also involves the backstopping by the Fund's CD departments of the Center's resident advisors. HQ oversees the preparation of TA reports and training activities by resident advisors and short-term experts, and together with country authorities and the Center, follow up on the implementation of advice. The Center Director provides another layer of quality control through the management of the Center and continued engagements with member countries.

**51. Governance.** The SC provides strategic guidance to the Center and meets once a year to discuss annual results and the workplan for the coming FY. It receives quarterly reports on the execution of the Center's annual workplan and budget, and its financial situation. As mentioned above, the Chairman of the SC is the pro tempore President of the CMCA, and the Vice-Chairman is the pro tempore President of COSEFIN. The President of the CCSBSO and Executive Secretaries of the three regional councils are permanent observers. The Center's director acts as the SC Secretary.

**52. External evaluation.** An independent external evaluation of CAPTAC-DR's operations is carried out at the mid-point of each phase. The evaluators are expected to assess the effectiveness, impact, and sustainability of the CD provided by CAPTAC-DR, bearing in mind the long-term nature of capacity building. The evaluation focuses on the relevance of projects, outcomes, and the efficiency of delivery. The main finding and recommendations are presented to the SC and discussed during the SC meeting. These recommendations inform CAPTAC-DR's future operations, notably for the next phase.

**53. Financial controls and safeguards.** Like other RCDCs, CAPTAC-DR is governed by, and administered in accordance with, the provisions of the IMF's Framework Administered Account for Selected Fund Activities (the "SFA Instrument"), the Essential Terms and Conditions for the administration of the CAPTAC-DR subaccount, and the Center's Program Document. The Center is further guided by the IMF's Regional Technical Assistance Centers' (RTAC) Handbook (updated in 2022) that sets aspects of governance, program management, fundraising, communication, human resource issues, administration, finance, and evaluation.

SECTION III

# COMMUNICATION AND VISIBILITY

# COMMUNICATION AND VISIBILITY

**54. CAPTAC-DR regularly highlights key CD activities and achievements through all the Center´s communication tools.** Communications and visibility actions are regularly revised and presented in the annual reports. Emphasis has been on highlighting the progress by member countries in capacity building, providing visibility to success stories and good practices, and giving visibility to development partners. This focus will be maintained in Phase IV while trying to increase presence in social media. Effort will continue leveraging in the following channels and platforms:

- **Website and social media.** The website is the Center´s main tool for showcasing its CD activities. It contains CD information, including key Center documents, such as Program Documents, Annual Reports and Work Plans, material related to the SC Meetings, thematic Newsletters, Special Notes, Videos, and ICD´s online learning catalog. Additionally, social media strips are included for easy access. The Center will continue making efforts to improve its presence in social media by sharpening messages, creating visual content, and adapting content for the audience of each of the Center´s social media accounts (Facebook, X, and LinkedIn).
- **Newsletter.** The newsletter has become the main tool to communicate quarterly thematic articles with policy-oriented analytical content on issues relevant to the region and in which the Center is providing CD support. Key CD activities and outcomes, joint activities with partners, infographics, and information on IMF free online training courses will continue being included in the newsletter. The newsletter is also distributed via email to a broad set of stakeholders, comprising member countries, development partners, academic institutions, non-government organizations, and other interested parties.
- **Progress reports and schedule of CD activities.** The progress quarterly reports monitor progress on the execution of the annual work program and milestone achievement under the RBM framework. The reports are distributed to country authorities, partners, and IMF staff. Also, quarterly updates on the Center's financial situation and fundraising are shared with the SC members. A one-month-ahead rolling schedule of CD activities is shared with member countries, development partners and IMF staff, mainly for information purposes.
- **Consultation with development partners, authorities, and regional councils.** The Center's Director meets with financial partners during the year to brief them on the Center's work, progress being made on CD, issuing being faced, and the Center's financial situation. Resident advisors regularly meet with country authorities and regional councils to discuss CD activities, project progress and needs. They also meet with some financial partners in the field to brief them on ongoing CD work at a country level. Meetings with other CD providers are also held to coordinate work, exchange experiences, and explore collaboration opportunities.

# ANNEXES

# Annex I:
# Tax Administration Enforcement of Compliance

| **Scope** | **Potential Tax Collection Potencial** | | | | **Tax Compliance** | | | | **Legal Norms** |
|---|---|---|---|---|---|---|---|---|---|
| **Processes** | Tax Gap | Taxpayer Register | Tax Obligations | On time filing | Tax payment | Audit | Defence of tax interest | Tax arrears | Legal adjustments |
| **Enhancement activities** | Studies Top-Bottom by economic sector | Register programs | Tax regimes | Control of on time tax filing | Control of tax payment | Effectiveness in audit | Planing of tax defence | Tax arrears collection | Legal changes to improve service and control |
| | Studies Bottom-Top by economic sector and TADAT | Data integrity and accuracy | Defining tax obligations | Expedite tax refunds | Electronic auditing | Deterring tax fraud and control of exonerations | Tax fraud prosecution | Seizure procedure | Committees´ Governance |
| **CRM** | | Taxpayers´ segments | Economic active population and businesses | International exchange of information | Audi outcomes | Taxpayers´ profile | Other | | |
| | | Electronic invoice data | Third-party information | IT tools and systems | TA arrears outcomes | Asessment of impact and probabilty | | | |

# Annex II: CAPTAC-DR – Proposed Action Plan in Response to the External Mid-Term Evaluation

(April 2024)

| Recommendation | IMF Staff Response | Action(s) | Timing | Responsible |
|---|---|---|---|---|
| 1. RTACs, FAD and the ADs should support authorities in keeping TADATs updated through repeat TADATs or by supporting TADAT self-assessments. | Partially agree | The Center will work with member country authorities and encourage them to request a TADAT assessment from FAD where a need for an update has been identified.<br>On TADAT self-assessments, member countries currently don't have sufficient capacity and expertise to conduct them. Where updates are needed, FAD should continue to do them. | Phase IV | FAD, CAPTAC-DR |
| 2. RTACs should increase coordination with other TA providers in the region and LTXs in revenue administration should offer regular briefings to development partners on progress in CD in their area. | Agree | CAPTAC-DR, through its LTXs, is already coordinating with other TA providers in the region and debriefing development partners to improve efficiency, avoid duplication of actions, and reduce costs.<br>The Center will continue to undertake this coordination and debriefings and seek to increase the regularity of meetings with other TA providers. | Phase IV | CAPTAC-DR |
| 3. RTACs should hold bi-annual SC meetings to keep more fully informed members, give more space discussions of progress in CD, and get feedback from SC members. | Partially agree | CAPTAC-DR regularly provides information to SC members outside the annual meeting—through quarterly CD progress and financial reports, quarterly newsletter, and a rolling schedule of CD activities. This also provides an opportunity to offer feedback to the Center throughout the year.<br>However, a second meeting could be held during the year on an ad-hoc or as needed basis. | SC FY25, Phase IV | WHD; SC, CAPTAC-DR |
| 4. RTACs should focus attention on areas and countries identified as having stronger potential for impact, scrutinize assigned RBM ratings at the end of the current phases closely and identify metrics to inform value for money assessments of impact. In addition, centers should share the resulting impact stories with current and potential development partners. | Partially agree | The Center will pay close attention to those countries and areas where the work of the Center is having a strong impact. CAPTAC-DR will identify and present impact stories in the Center's reports and the Center's other communication outlets. | Phase IV | CAPTAC-DR |
| 5. RTACs should increase the diversity of its experts, especially of short-term experts, by hiring more women and using more experts from the CAPDR region. | Agree | CAPTAC-DR, in consultation with Fund CD departments and based on the IMF's rosters of short-term experts, will seek to hire more diverse experts to achieve better gender balance and increase the share of experts from the CAPDR region. | Phase IV | Fund CD Departments; CAPTAC-DR |

Note: Adapted for CAPTAC-DR´s use from the Thematic Pilot Evaluation of The Africa Regional Technical Assistance Center West 2 (AFW2), the Regional Technical Assistance Center for Central America, Panama, and the Dominican Republic (CAPTAC-DR) and the Africa Training Institute (ATI) Multi-Country Thematic Final Report.

# Annex III: CAPTAC-DR – Strategic Logical Framework for Phase IV

| CAPTAC-DR´s Strategic Objective | | | |
|---|---|---|---|
| **Help strengthen technical and institutional capacity to design and implement sound macroeconomic and financial policies and support sustainable inclusive growth.** | | | |
| Area | Strategic Objective | Outcomes | Indicators |
| TAX | Strengthen core tax administration functions | A larger proportion of taxpayers meet their filing obligations as required by law | On time filing ratio improved |
| | | A larger proportion of taxpayers meet their payment obligations as required by law | On time payment ratio improved |
| | | | Arrears Ratio |
| | | Audit and other verifications programs more effectively ensure accuracy of reporting | Audit tax rate |
| | | | Audit ratios |
| CUS | Improve customs administration functions | Audit and anti-smuggling programs more effectively ensure enforcement of customs laws | A larger share of trade controlled progressively through a properly designed post clearance audit program |
| | | | Framework to control special regimes and exemptions strengthened |
| | | Customs control during the clearance process more effectively ensures accuracy of declarations | Rate of physical inspections decreased |
| | | | Risk-based control selectivity applied more consistently |
| | | Foreign trade operators better comply with their reporting and payment obligations | Alignment of customs procedures (including transit) with international standards and regional integration objective improved |
| | | | Traceability of goods and customs actions in the customs systems strengthened |
| | | Trade facilitation and service initiatives better support voluntary compliance | Cargo clearance times decreased |
| | Strengthen revenue administration management and governance arrangements | Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized | Key performance indicators established, regularly reported, and monitored |
| | | | Multi-year reform implementation plan, with supporting resource plan, adopted and well communicated |
| | | Corporate priorities are better managed through effective risk management | Better mitigation of risks through a compliance improvement program |
| | | | Improved identification, assessment, ranking and quantification of compliance risks |
| | | Participants demonstrate that they have effectively acquired knowledge and skills at the Absolute Learning level as measured by pre- and post-course test | The percent of participants who acquire 60 percent or above on the post-course test (Absolute Learning value) |
| | | Tax and/or customs laws are updated, simplified, and better aligned with modern standards and international protocols | Administrative provisions are harmonized and consolidated, for example, under a tax procedures code |
| | | Transparency and accountability are more effectively supported by independent external oversight and internal controls | Internal controls covering all key core operations and staff integrity assurance mechanisms strengthened or in place |

| CAPTAC-DR´s Strategic Objective | | | |
|---|---|---|---|
| **Help strengthen technical and institutional capacity to design and implement sound macroeconomic and financial policies and support sustainable inclusive growth.** | | | |
| Area | Strategic Objective | Outcomes | Indicators |
| **PFM** | Strengthen budget management - PBM | Strengthened annual budget process, and effective allocation | Enhanced comprehensiveness of budget documentation (Record Score: PEFA PI-5) |
| | | | Improved adequacy and transparency allocations for budgetary contingencies (Record Score: FTC3.2.1) |
| | | | Improved allocation to priority areas including climate, gender, and SDGs |
| | | Strengthened asset and liability management processes | Improved extent of consolidation of cash balances by the Treasury including for capital spending (Record Score: PEFA PI-20.2, PIMA 12.c) |
| | | | Strengthened effectiveness and timeliness of cash flow forecasting and cash balance management including for capital spending (DEMPA DPI 11, PEFA PI-21.2) |
| | | | Strengthened effectiveness of debt management practices, records, and controls (Record Score: PEFA PI-13) |
| | | Strengthened identification, monitoring, and management of fiscal risks | Enhanced analysis, disclosure and management of other contingent liabilities and specific fiscal risks |
| | | | Improved preparation and disclosure of fiscal risk statement |
| | | | Strengthened effectiveness of management and reporting of climate related fiscal risks |
| **EPO** | Strengthen Expenditure Policy Formulation and Design | Public pension system sustainability is enhanced while ensuring the adequacy of retirement income. | Public pension expenditure as a percentage of GDP. |
| | | | Public wage bill, as a percentage of GDP. |
| | | | Public subsidy spending as a percentage of GDP. |
| | | Public investment is consistent with fiscal constraints and its efficiency is increased. | Public investment, as a percentage of GDP. |
| | | Medium-term expenditures closer to required spending needs in health, education, and selected infrastructure (SDGs 3, 4, 6, 7, 9). | SDG Index, SDG3, 4, 5, 6,7,9,13 (good health and wellbeing; quality education; clean water and sanitation; affordable and clean energy; and industry, innovation, and infrastructure). |
| **BSR** | Develop/strengthen banks' regulation and supervision frameworks - BRS | Legislation/prudential regulations on capital adequacy developed/ strengthened, including maintaining adequate capital structure composed of high capital instruments in line with Basel II/III | Issuance of an enhanced/new capital adequacy regulation and minimum requirements in line with Basel II/III requirements |
| | | The level of banks' capital reflects well their risk profile | Banks regularly assess their capital internally regarding their risk profiles and business strategies and send ICAAP reports to supervisors |
| | | Supervisors have sufficient capacity to effectively implement RBS and other supervisory processes. | Supervisors adequately trained to be able to implement RBS and other supervisory processes. |

| CAPTAC-DR´s Strategic Objective | | | |
|---|---|---|---|
| **Help strengthen technical and institutional capacity to design and implement sound macroeconomic and financial policies and support sustainable inclusive growth.** | | | |
| Area | Strategic Objective | Outcomes | Indicators |
| **MPO** | Strengthen the implementation of monetary policy, FX operations under the existing monetary regime. | Flexible/appropriate monetary instruments and operational strategy to deal with changing liquidity conditions. | The central bank activates its monetary instruments appropriately to achieve its policy objectives. |
| | | | Reserve requirements (RR) framework is consistent with its main objective. |
| | | | Open Market Operations (OMOs) are available to respond to changing liquidity conditions. |
| | | Robust short-term liquidity forecasting framework. | Liquidity management operations/monetary operations are derived from liquidity forecasts. |
| | | Market-determined exchange rate consistent with existing monetary policy and FX regime. | Prudential regulations ensure FX risks are adequately monitored and managed. |
| **GFS** | Strengthen compilation and dissemination of Government Finance Statistics (GFS) - SGF; Public Sector Debt Statistics (PSDS) and Public Sector Balance Sheet (PSBS) | A new data set has been compiled and disseminated internally and/or to the public | A new set of GFS/PSDS/PSBS are compiled and disseminated for the Public Sector and/or its subsectors, as recommended by the GFSM 2014/PSDSG 2011 guidelines. |
| | | | GFS/PSDS/PSBS are published for the Public Sector and its subsector on an annual and sub annual basis (monthly or quarterly) |
| | | Methodological basis for compiled and disseminated statistics follows internationally accepted standards, guidelines, or good practices. | Transactions and stocks in financial assets and liabilities by counterparty are classified according to the GFSM 2014/PSDSG 2011 guidelines. |
| | | | Stock positions in the PSDS an PSBS are consistently registered at nominal and market value, according to GFSM 2014/PSDSG 2011 guidelines |
| | | | The Other Economic Flows (OEF) for the Public Sector and its subsectors are compiled and disseminated |
| | | Improved periodicity, timeliness, and consistency of data released to the public | GFS/PSDS/PSBS are published with periodicity and timeliness according to the IMF data standards. |
| | | | Data compiled and disseminated for the PS and its subsector are consistent (flows and stocks) according to the GFSM 2014 guidelines. |

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